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**GENERAL ACTS
RESOLUTIONS AND MEMORIALS
ADOPTED BY THE
FIFTEENTH LEGISLATURE OF FLORIDA
UNDER THE CONSTITUTION
AS REVISED IN 1968**

During the Regular Session
March 3, 1998, through May 1, 1998,
and Special Session
November 3, 1997, through November 7, 1997



Volume I, Part One

Published by Authority of Law

Under Direction of the

OFFICE OF LEGISLATIVE SERVICES

Tallahassee

1998

- (e) Requirements and procedures for dispute resolution.
- (f) Requirements and procedures for employee and provider education.
- (g) Requirements and procedures for reporting data regarding grievances, return-to-work outcomes, and provider networks.

Section 2. This act shall take effect upon becoming a law
 Became a law without the Governor's approval May 22, 1998.
 Filed in Office Secretary of State May 21, 1998.

CHAPTER 98-128

Committee Substitute for
 Committee Substitute for Senate Bill No. 1366

An act relating to motor vehicles; amending s. 521.004, F.S.; modifying the disclosure form for a motor vehicle lease; amending s. 681.102, F.S., modifying definitions applicable to motor vehicle sales warranties; providing an effective date.

Be It Enacted by the Legislature of the State of Florida:

Section 1. Section 521.004, Florida Statutes, is amended to read:

521.004 Disclosures.—A retail lessor must:

(1) Disclose to the retail lessee in the lease agreement in a separate blocked section, in capital letters of at least 12-point bold type, with the appropriate amounts specified, as follows:

THIS IS A LEASE AGREEMENT.
 THIS IS NOT A PURCHASE AGREEMENT.

PLEASE REVIEW THESE MATTERS CAREFULLY AND SEEK INDEPENDENT PROFESSIONAL ADVICE IF YOU HAVE ANY QUESTIONS CONCERNING THIS TRANSACTION. YOU ARE ENTITLED TO AN EXACT COPY OF THE AGREEMENT YOU SIGN.

CAPITALIZED COST \$
 (Your total cost of goods, services, & fees.)
 CAPITALIZED COST REDUCTION \$
 (Your total credits.)
 ADJUSTED OR NET CAPITALIZED COST \$
 (Your net cost of goods, services, & fees.)

For purposes of this subsection, that portion of the disclosure stating the terms "capitalized cost," "capitalized cost reduction," and "adjusted or net capitalized cost," and the explanations contained in the parentheticals, as well as their respective amounts, are not required to be disclosed if the terms "gross capitalized cost," "capitalized cost reduction," and "adjusted capitalized cost" and the descriptions and disclosures set forth and required by the federal Consumer Leasing Act, 15 USC s. 1667 et seq., and Federal Reserve Board Regulation M, 12 CFR part 213, are set forth elsewhere in the lease agreement.

(2) Provide the retail lessee with a copy of each document signed by the retail lessee during the course of the lease transaction.

Section 2 Subsection (9) of section 681.102, Florida Statutes, is amended to read:

681.102 Definitions.--As used in this chapter, the term:

(9) "Lease price" means the aggregate of the capitalized cost, as defined in s 521.003(2), and each of the following items to the extent not included in the capitalized cost:

(a) Lessor's earned rent charges through the date of repurchase actual purchase costs.

(b) Collateral charges, if applicable.

(c) Any fee paid to another to obtain the lease.

(d) Any insurance or other costs expended by the lessor for the benefit of the lessee.

(e) An amount equal to state and local sales taxes, not otherwise included as collateral charges, paid by the lessor when the vehicle was initially purchased.

~~(f) An amount equal to 5 percent of (a).~~

Section 3. This act shall take effect July 1, 1998.

Became a law without the Governor's approval May 22, 1998.

Filed in Office Secretary of State May 21, 1998.

CHAPTER 98-129

Committee Substitute for Senate Bill No. 1402

An act relating to elections; amending s. 97.012, F.S.; providing an additional duty of the Secretary of State; amending s. 98.015, F.S.; requiring supervisors of elections to notify property appraisers of

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LIST
 CH 98-128 Title page
 Passed Bill CS/CS/SB 1366 - History

- SB 1366
- CS/SB 1366
- Staff Analysis of CS/SB 1366 (3/30/98 - Commerce)
- CS/CS/SB 1366
- Staff Analysis of CS/CS/SB 1366 (4/21/98 - Transportation)
- CS/CS/SB 1366 Enrolled (LOF CH 98-128)

Similar Bill HB 3897 - History

- HB 3897
- Bill Research on HB 3897 (3/21/98 - Business Reg)
- Amendment #1 (3/25/98 - Business Reg)
- Bill Research of HB 3987 (3/25/98 - Business Reg)
- HB 3897 First Engrossed
- Final Bill Research of HB 3897 (6/2/98 - Business Regulation)

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Senate 1366: Relating to Motor Vehicle Lease/Sales Warranties

S 1366 GENERAL BILL/CS/CS by Transportation; Commerce and Economic Opportunities; Klein (Similar 1ST ENG/H 3897)
 Motor Vehicle Lease/Sales Warranties; modifies disclosure form for motor vehicle lease; modifies definitions applicable to motor vehicle sales warranties, etc. Amends 521.004, 681.102. EFFECTIVE DATE: 07/01/1998.
 02/19/98 SENATE Prefiled
 02/25/98 SENATE Referred to Commerce and Economic Opportunities; Transportation
 03/03/98 SENATE Introduced, referred to Commerce and Economic Opportunities; Transportation -SJ 00083
 03/25/98 SENATE On Committee agenda-- Commerce and Economic Opportunities, 03/30/98, 2:00 pm, Room-EL
 03/30/98 SENATE Comm. Action: CS by Commerce and Economic Opportunities -SJ 00344; CS read first time on 04/01/98 -SJ 00348
 04/01/98 SENATE Now in Transportation -SJ 00344
 04/15/98 SENATE On Committee agenda-- Transportation, 04/20/98, 9:00 am, Room-301C
 04/20/98 SENATE Comm. Action:-CS/CS by Transportation -SJ 00813; CS read first time on 04/22/98 -SJ 00816
 04/22/98 SENATE Placed on Calendar -SJ 00814
 04/24/98 SENATE Placed on Consent Calendar; Read second time -SJ 00904; Read third time -SJ 00904; CS passed; YEAS 36 NAYS 0 -SJ 00904; Immediately certified -SJ 00904
 04/24/98 HOUSE In Messages
 04/29/98 HOUSE Received -HJ 01665; Read second and third times -HJ 01665, CS passed; YEAS 118 NAYS 0 -HJ 01665
 04/29/98 SENATE Ordered enrolled -SJ 01230
 05/06/98 Signed by Officers and presented to Governor
 05/22/98 Became Law without Governor's Signature; Chapter No. 98-128

Bill Text: (Top)

Bill Name	Date Posted	Available Formats
S 1366	02/20/1998	Web Page PDF
S 1366C1	04/02/1998	Web Page PDF
S 1366C2	04/23/1998	Web Page PDF
S 1366ER	04/30/1998	Web Page PDF

Committee Amendments and Filed Floor Amendments: (Top)

S 1366:
 No Amendments Available

S 1366C1:
 No Amendments Available

S 1366C2:
 No Amendments Available

By Senator Klein

28-1249-98

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A bill to be entitled
An act relating to motor vehicles; amending s.
521.004, F.S.; modifying the disclosure form
for a motor vehicle lease; amending s. 681.102,
F.S.; modifying definitions applicable to motor
vehicle sales warranties; providing an
effective date.

Be It Enacted by the Legislature of the State of Florida:

Section 1. Section 521.004, Florida Statutes, is
amended to read:

521.004 Disclosures.--A retail lessor must:
(1) Disclose to the retail lessee in the lease
agreement in a separate blocked section, in capital letters of
at least 12-point bold type, with the appropriate amounts
specified, as follows:

THIS IS A LEASE AGREEMENT.
THIS IS NOT A PURCHASE AGREEMENT.

PLEASE REVIEW THESE MATTERS CAREFULLY AND SEEK INDEPENDENT
PROFESSIONAL ADVICE IF YOU HAVE ANY QUESTIONS CONCERNING THIS
TRANSACTION. YOU ARE ENTITLED TO AN EXACT COPY OF THE
AGREEMENT YOU SIGN.

CAPITALIZED COST \$.....
(Your total cost of goods, services, & fees.)

CAPITALIZED COST REDUCTION \$.....
(Your total credits.)

1 ADJUSTED OR NET CAPITALIZED COST \$.....
2 (Your net cost of goods, services, & fees.)
3
4 For purposes of this subsection, that portion of the
5 disclosure stating the terms "capitalized cost," "capitalized
6 cost reduction," and "adjusted or net capitalized cost," and
7 the explanations contained in the parentheticals, as well as
8 their respective amounts, are not required to be disclosed if
9 the terms "gross capitalized cost," "capitalized cost
10 reduction," and "adjusted capitalized cost" and the
11 descriptions and disclosures set forth and required by the
12 Federal Consumer Leasing Act, 15 USC s. 1501 et seq., and
13 Federal Reserve Board Regulation M. 12 CFR s. 213, are set
14 forth elsewhere in the lease agreement.
15 (2) Provide the retail lessee with a copy of each
16 document signed by the retail lessee during the course of the
17 lease transaction.
18 Section 2. Subsections (3), (9), and (12) of section
19 681.102, Florida Statutes, are amended to read:
20 681.102 Definitions.--As used in this chapter, the
21 term:
22 (3) "Collateral charges" means those additional
23 charges to a consumer wholly incurred as a result of the
24 acquisition of the motor vehicle. For the purposes of this
25 chapter, collateral charges include, but are not limited to,
26 manufacturer-installed or agent-installed items or service
27 charges, earned finance or lease charges, sales taxes, and
28 title charges.
29 (9) "Lease price" means the aggregate of the
30 capitalized cost, as defined in s. 521.003(2), and each of the
31

1 following items to the extent not included in the capitalized
2 cost:
3 ~~(a) Lessor's actual purchase costs.~~
4 (a) ~~(b)~~ Collateral charges, if applicable.
5 (b) ~~(c)~~ Any fee paid to another to obtain the lease.
6 (c) ~~(d)~~ Any insurance or other costs expended by the
7 lessor for the benefit of the lessee.
8 (d) ~~(e)~~ An amount equal to state and local sales taxes,
9 not otherwise included as collateral charges, paid by the
10 lessor when the vehicle was initially purchased.
11 ~~(f) An amount equal to 5 percent of (a).~~
12 (12) "Lessee cost" means the aggregate of the security
13 deposit, capitalized cost-reduction as defined in s.
14 521.003(3), and rental payments previously paid to the lessor
15 for the leased vehicle but excludes debt from any other
16 transaction.

17 Section 3. This act shall take effect July 1, 1998.

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SENATE SUMMARY

Modifies the disclosure form for motor vehicle leases.
Provides that specified terms in the form need not be
included if the terms in the Federal Consumer Leasing Act
are provided. Amends the definitions of "collateral
charges," "lease price," and "lessee cost" for purposes
of ch. 681, F.S., relating to motor vehicle sales
warranties.

By the Committee on Commerce and Economic Opportunities and
Senator Klein

310-1932-98

1 A bill to be entitled

2 An act relating to motor vehicles; amending s.

3 521.004, F.S.; modifying the disclosure form

4 for a motor vehicle lease; amending s. 681.102,

5 F.S.; modifying definitions applicable to motor

6 vehicle sales warranties; providing an

7 effective date.

8

9 Be It Enacted by the Legislature of the State of Florida:

10

11 Section 1. Section 521.004, Florida Statutes, is

12 amended to read:

13 521.004 Disclosures.--A retail lessor must:

14 (1) Disclose to the retail lessee in the lease

15 agreement in a separate blocked section, in capital letters of

16 at least 12-point bold type, with the appropriate amounts

17 specified, as follows:

18

19 THIS IS A LEASE AGREEMENT.

20 THIS IS NOT A PURCHASE AGREEMENT.

21

22 PLEASE REVIEW THESE MATTERS CAREFULLY AND SEEK INDEPENDENT

23 PROFESSIONAL ADVICE IF YOU HAVE ANY QUESTIONS CONCERNING THIS

24 TRANSACTION. YOU ARE ENTITLED TO AN EXACT COPY OF THE

25 AGREEMENT YOU SIGN.

26 CAPITALIZED COST \$.....

27 (Your total cost of goods, services, & fees.)

28

29 CAPITALIZED COST REDUCTION \$.....

30 (Your total credits.)

31

1 ADJUSTED OR NET CAPITALIZED COST \$.....
2 (Your net cost of goods, services, & fees.)
3
4 For purposes of this subsection, that portion of the
5 disclosure stating the terms "capitalized cost," "capitalized
6 cost reduction," and "adjusted or net capitalized cost," and
7 the explanations contained in the parentheticals, as well as
8 their respective amounts, are not required to be disclosed if
9 the terms "gross capitalized cost," "capitalized cost
10 reduction," and "adjusted capitalized cost" and the
11 descriptions and disclosures set forth and required by the
12 federal Consumer Leasing Act, 15 USC s. 1667 et seq., and
13 Federal Reserve Board Regulation M. 12 CFR part 213, are set
14 forth elsewhere in the lease agreement.
15 (2) Provide the retail lessee with a copy of each
16 document signed by the retail lessee during the course of the
17 lease transaction.
18 Section 2. Subsections (3), (9), and (12) of section
19 681.102, Florida Statutes, are amended to read:
20 681.102 Definitions.--As used in this chapter, the
21 term:
22 (3) "Collateral charges" means those additional
23 charges to a consumer wholly incurred as a result of the
24 acquisition of the motor vehicle. For the purposes of this
25 chapter, collateral charges include, but are not limited to,
26 manufacturer-installed or agent-installed items or service
27 charges, earned finance or lease charges, sales taxes, and
28 title charges.
29 (9) "Lease price" means the aggregate of the
30 capitalized cost, as defined in s. 521.003(2), and each of the
31

1 following items to the extent not included in the capitalized
2 cost:

3 (a) Lessor's earned rent charges through the date of
4 repurchase actual purchase costs.

5 (b) Collateral charges, if applicable.

6 (c) Any fee paid to another to obtain the lease.

7 (d) Any insurance or other costs expended by the
8 lessor for the benefit of the lessee.

9 (e) An amount equal to state and local sales taxes,
10 not otherwise included as collateral charges, paid by the
11 lessor when the vehicle was initially purchased.

12 ~~(f) An amount equal to 5 percent of (a).~~

13 (12) "Lessee cost" means the aggregate of the security
14 deposit, capitalized cost-reduction as defined in s.
15 521.003(3), and rental payments previously paid to the lessor
16 for the leased vehicle but excludes debt from any other
17 transaction.

18 Section 3. This act shall take effect July 1, 1998.

19

20 STATEMENT OF SUBSTANTIAL CHANGES CONTAINED IN
21 COMMITTEE SUBSTITUTE FOR
22 Senate Bill 1366

23

24 This bill amends the Florida Lemon Law to include "earned
25 rent" charges as a cost that manufacturers are required to
26 refund to lessors for a nonconforming motor vehicle.

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SENATE STAFF ANALYSIS AND ECONOMIC IMPACT STATEMENT

(This document is based only on the provisions contained in the legislation as of the latest date listed below)

Date: March 30, 1998 Revised: _____

Subject: Motor Vehicles

	<u>Analyst</u>	<u>Staff Director</u>	<u>Reference</u>	<u>Action</u>
1.	<u>Schmeling</u>	<u>Austin</u>	<u>CM</u>	<u>Favorable/CS</u>
2.	_____	_____	<u>TR</u>	_____
3.	_____	_____	_____	_____
4.	_____	_____	_____	_____
5.	_____	_____	_____	_____

I. Summary:

The committee substitute provides that if certain disclosure items contained in a lease agreement are consistent with federal law and regulations, certain disclosure requirements provided in state law are not required. The committee substitute further amends the Florida Lemon Law to include "lease" and "earned rent" charges as costs manufacturers are required to refund to lessors for a nonconforming motor vehicle.

This committee substitute amends sections 521.004 and 681.102, Florida Statutes

II. Present Situation:

The Legislature enacted the Motor Vehicle Lease Disclosure Act in 1995 (ch. 521, F.S.) to ensure lessees are adequately apprised of the total cost of the vehicle lease. "Capitalized cost" as defined in s. 521.003, F.S., means the agreed-upon total amount which, after deducting any capitalized cost reductions, serves as the basis for calculating the amount of the periodic payment under the lease agreement. The capitalized cost may include, without limitation: taxes, registration fees, license fees, insurance charges, charges for guaranteed auto protection or GAP coverage, charges for service contracts and extended warranties; fees and charges for accessories and for installing accessories, charges for delivery, service, and repair; administrative fees, acquisition fees, and any and all fees or charges for providing services incidental to the lease agreement, the unpaid balance of any amount financed under an outstanding motor vehicle loan agreement or motor vehicle retail installment contract with respect to a motor vehicle used as a trade-in; the unpaid portion of the early termination obligation under an outstanding lease agreement, and the first periodic payment due at the inception of the lease agreement.

Section 521 004, F.S., provides disclosure requirements for retail lessors. A lease agreement must contain the terms "capitalized cost," "capitalized cost reduction," and "adjusted or net capitalized cost," including definitions of such terms with applicable costs. The section further requires these costs, along with a disclosure statement, to be in at least 12-point bold type and set apart in a box.

The Consumer Leasing Act (CLA), 15 U.S.C. 1667-1667e, was enacted into law in 1976 as an amendment to the Truth in Lending Act (TILA), 15 U.S.C. 1601 et seq. The Federal Reserve Board (board) was given rulewriting authority, and its Regulation M (12 CFR part 213) implements the CLA.

The CLA generally governs consumer leases of personal property involving \$25,000 or less and a term of more than 4 months. An automobile lease is the most common type of consumer lease covered by the CLA. Like the credit provisions of the TILA, the CLA requires lessors to provide uniform cost and other disclosures in consumer lease transactions and in lease advertising. Prior to entering into a lease agreement, lessors must give consumers fifteen to twenty disclosures, including the amount of initial charges to be paid, an identification of leased property, a payment schedule, the responsibilities for maintaining the leased property, and the liability for terminating a lease early.

Following a review under the board's Regulatory Planning and Review Program, the board published a revised Regulation M on October 7, 1996 (61 FR 52246), and a new staff commentary on April 4, 1997 (62 FR 16053). The final rule made a significant number of substantive revisions to the regulation, and essentially established a new disclosure scheme that should substantially improve consumer understanding of automobile lease transactions. The new disclosure scheme required the preparation of new forms and the reprogramming of computer software.

This new version of Regulation M stems from the increased use of automobile leasing over the last several years and the board's review of the regulation in accordance with its policy of periodically examining its regulations to carry out the purpose of the underlying law more effectively.

In general, the revisions to Regulation M:

- Adopt a revised disclosure format, including the segregation of certain disclosures;
- Adopt a total of payments disclosure to facilitate comparisons;
- Revise the disclosure of costs paid at lease signing to make it easier for a consumer to understand the amounts to be paid and how they are allocated;
- Require a mathematical progression that shows how the monthly lease payment is calculated, and the relationship of terms such as the "capitalized cost" and the "residual value" of the leased property;
- Require narrative warnings about possible charges for terminating a lease early and for excess wear and tear,

- Require changes in advertising rules to implement statutory amendments, simplify disclosure requirements, and deter misleading advertising; and
- Require a disclosure to accompany any percentage rate indicating the limitations of rate information.

Chapter 681, F.S., is the “Motor Vehicle Warranty Enforcement Act,” more commonly known as the Lemon Law. Section 681.104, F.S., provides that if a manufacturer cannot conform the motor vehicle to the warranty by repairing or correcting any nonconformity after a reasonable number of attempts, the manufacturer, within 40 days, must repurchase the motor vehicle and refund the full purchase price to the consumer, less a reasonable offset for use. In the case of a leased motor vehicle, the lessee receives the lessee cost and the lessor receives the lease price less the lessee cost.

Section 681.102, F.S., defines “lessee cost” as the aggregate deposit and rental payments previously paid to the lessor for the leased vehicle but excludes debt from any other transaction. “Lease price” is defined as the aggregate of lessor’s actual purchase costs; collateral charges (those additional charges to a consumer wholly incurred as a result of the acquisition of the motor vehicle, including, but not limited to, manufacturer-installed or agent-installed items or service charges, earned finance charges, sales taxes, and title charges), if applicable; any fee paid to another to obtain the lease; any insurance or other costs expended by the lessor for the benefit of the lessee; an amount equal to state and local sales taxes, not otherwise included as collateral charges, paid by the lessor when the vehicle was initially purchased; and, an amount equal to 5 percent of the lessor’s actual purchase cost.

III. Effect of Proposed Changes:

Section 1 amends s. 521.004, F.S., to provide that if the lessor includes the itemized list of costs required by federal regulation in the lease agreement, certain state itemization does not have to be included.

Section 2 amends 681.102, F.S., to include “lease charges” in the definition of “collateral charges.” This section modifies the definition of “lease price” to include capitalized cost, as defined in s. 521.003(2), F.S., and “earned rent charges through the date of repurchase,” while removing from the definition “lessor’s actual purchase costs” and “an amount equal to 5 percent of lessor’s actual purchase costs.” This section further modifies the definition of “lessee cost” to clarify the term “deposit” as “security deposit” and includes in the definition “capitalized cost-reduction” as defined in s. 521.003(3), F.S.

IV. Constitutional Issues:

A. Municipality/County Mandates Restrctions:

None

B. Public Records/Open Meetings Issues:

None

C. Trust Funds Restrictions:

None.

V. Economic Impact and Fiscal Note:

A. Tax/Fee Issues:

None.

B. Private Sector Impact:

As applicable under the Lemon Law, motor vehicle manufacturers will be required to reimburse leasing companies for "lease" and "earned rent" charges. The costs, if any, relating to the modification of cost definitions in s 681.102, F S., are indeterminate.

C. Government Sector Impact:

None

VI. Technical Deficiencies:

None

VII. Related Issues:

None

VIII. Amendments:

None

By the Committees on Transportation; Commerce and Economic Opportunities; and Senator Klein

306-2194-98

1 A bill to be entitled
2 An act relating to motor vehicles; amending s.
3 521.004, F.S.; modifying the disclosure form
4 for a motor vehicle lease; amending s. 681.102,
5 F.S.; modifying definitions applicable to motor
6 vehicle sales warranties; providing an
7 effective date.
8
9 Be It Enacted by the Legislature of the State of Florida:
10
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14 (1) Disclose to the retail lessee in the lease
15 agreement in a separate blocked section, in capital letters of
16 at least 12-point bold type, with the appropriate amounts
17 specified, as follows:
18
19 THIS IS A LEASE AGREEMENT.
20 THIS IS NOT A PURCHASE AGREEMENT.
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22 PLEASE REVIEW THESE MATTERS CAREFULLY AND SEEK INDEPENDENT
23 PROFESSIONAL ADVICE IF YOU HAVE ANY QUESTIONS CONCERNING THIS
24 TRANSACTION. YOU ARE ENTITLED TO AN EXACT COPY OF THE
25 AGREEMENT YOU SIGN.
26 CAPITALIZED COST \$.....
27 (Your total cost of goods, services, & fees.)
28
29 CAPITALIZED COST REDUCTION \$.....
30 (Your total credits.)
31

CODING: Words ~~stricken~~ are deletions; words underlined are additions.

1 ADJUSTED OR NET CAPITALIZED COST \$.....
2 (Your net cost of goods, services, & fees.)
3
4 For purposes of this subsection, that portion of the
5 disclosure stating the terms "capitalized cost," "capitalized
6 cost reduction," and "adjusted or net capitalized cost," and
7 the explanations contained in the parentheticals, as well as
8 their respective amounts, are not required to be disclosed if
9 the terms "gross capitalized cost," "capitalized cost
10 reduction," and "adjusted capitalized cost" and the
11 descriptions and disclosures set forth and required by the
12 federal Consumer Leasing Act, 15 USC s. 1667 et seq., and
13 Federal Reserve Board Regulation M. 12 CFR part 213, are set
14 forth elsewhere in the lease agreement.
15 (2) Provide the retail lessee with a copy of each
16 document signed by the retail lessee during the course of the
17 lease transaction.
18 Section 2. Subsection (9) of section 681.102, Florida
19 Statutes, is amended to read:
20 681.102 Definitions.--As used in this chapter, the
21 term:
22 (9) "Lease price" means the aggregate of the
23 capitalized cost, as defined in s. 521.003(2), and each of the
24 following items to the extent not included in the capitalized
25 cost:
26 (a) Lessor's earned rent charges through the date of
27 repurchase ~~actual purchase costs~~.
28 (b) Collateral charges, if applicable.
29 (c) Any fee paid to another to obtain the lease.
30 (d) Any insurance or other costs expended by the
31 lessor for the benefit of the lessee.

1 (e) An amount equal to state and local sales taxes,
2 not otherwise included as collateral charges, paid by the
3 lessor when the vehicle was initially purchased.

4 ~~(f) An amount equal to 5 percent of (a).~~

5 Section 3. This act shall take effect July 1, 1998.

6

7 STATEMENT OF SUBSTANTIAL CHANGES CONTAINED IN
8 COMMITTEE SUBSTITUTE FOR
9 CS/SB 1366

10 This CS deletes amendments to the definitions of "Collateral
11 charges" and "Lessee cost."
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SENATE STAFF ANALYSIS AND ECONOMIC IMPACT STATEMENT

(This document is based only on the provisions contained in the legislation as of the latest date listed below)

Date: April 21, 1998 Revised _____

Subject Motor Vehicles

	<u>Analyst</u>	<u>Staff Director</u>	<u>Reference</u>	<u>Action</u>
1	<u>Schmeling</u>	<u>Austin</u>	<u>CM</u>	<u>Favorable/CS</u>
2	<u>Vickers</u>	<u>Johnson</u>	<u>TR</u>	<u>Favorable /CS</u>
3	_____	_____	_____	_____
4	_____	_____	_____	_____
5	_____	_____	_____	_____

I. Summary:

The committee substitute provides that if certain disclosure items contained in a lease agreement are consistent with federal law and regulations, certain disclosure requirements provided in state law are not required. The committee substitute further amends the Florida Lemon Law to provide that leasing companies are reimbursed for their finance charges by the manufacturers of non-conforming vehicles.

This committee substitute amends sections 521.004 and 681.102, Florida Statutes.

II. Present Situation:

The Legislature enacted the Motor Vehicle Lease Disclosure Act in 1995 (ch. 521, F.S.) to ensure lessees are adequately apprised of the total cost of the vehicle lease. "Capitalized cost" as defined in s 521.003, F.S., means the agreed-upon total amount which, after deducting any capitalized cost reductions, serves as the basis for calculating the amount of the periodic payment under the lease agreement. The capitalized cost may include, without limitation: taxes; registration fees, license fees; insurance charges; charges for guaranteed auto protection or GAP coverage, charges for service contracts and extended warranties, fees and charges for accessories and for installing accessories; charges for delivery, service, and repair; administrative fees, acquisition fees, and any and all fees or charges for providing services incidental to the lease agreement, the unpaid balance of any amount financed under an outstanding motor vehicle loan agreement or motor vehicle retail installment contract with respect to a motor vehicle used as a trade-in; the unpaid portion of the early termination obligation under an outstanding lease agreement, and the first periodic payment due at the inception of the lease agreement.

Section 521 004, F.S , provides disclosure requirements for retail lessors. A lease agreement must contain the terms "capitalized cost," "capitalized cost reduction," and "adjusted or net capitalized cost," including definitions of such terms with applicable costs. The section further requires these costs, along with a disclosure statement, to be in at least 12-point bold type and set apart in a box

The Consumer Leasing Act (CLA), 15 U.S.C. 1667-1667e, was enacted into law in 1976 as an amendment to the Truth in Lending Act (TILA), 15 U.S.C. 1601 et seq. The Federal Reserve Board (board) was given rulewriting authority, and its Regulation M (12 CFR part 213) implements the CLA.

The CLA generally governs consumer leases of personal property involving \$25,000 or less and a term of more than 4 months. An automobile lease is the most common type of consumer lease covered by the CLA. Like the credit provisions of the TILA, the CLA requires lessors to provide uniform cost and other disclosures in consumer lease transactions and in lease advertising. Prior to entering into a lease agreement, lessors must give consumers fifteen to twenty disclosures, including the amount of initial charges to be paid, an identification of leased property, a payment schedule, the responsibilities for maintaining the leased property, and the liability for terminating a lease early.

Following a review under the board's Regulatory Planning and Review Program, the board published a revised Regulation M on October 7, 1996 (61 FR 52246), and a new staff commentary on April 4, 1997 (62 FR 16053). The final rule made a significant number of substantive revisions to the regulation, and essentially established a new disclosure scheme that should substantially improve consumer understanding of automobile lease transactions. The new disclosure scheme required the preparation of new forms and the reprogramming of computer software.

This new version of Regulation M stems from the increased use of automobile leasing over the last several years and the board's review of the regulation in accordance with its policy of periodically examining its regulations to carry out the purpose of the underlying law more effectively.

In general, the revisions to Regulation M:

- Adopt a revised disclosure format, including the segregation of certain disclosures,
- Adopt a total of payments disclosure to facilitate comparisons,
- Revise the disclosure of costs paid at lease signing to make it easier for a consumer to understand the amounts to be paid and how they are allocated;
- Require a mathematical progression that shows how the monthly lease payment is calculated, and the relationship of terms such as the "capitalized cost" and the "residual value" of the leased property,
- Require narrative warnings about possible charges for terminating a lease early and for excess wear and tear,

- Require changes in advertising rules to implement statutory amendments, simplify disclosure requirements, and deter misleading advertising, and
- Require a disclosure to accompany any percentage rate indicating the limitations of rate information.

Chapter 681, F.S., is the "Motor Vehicle Warranty Enforcement Act," more commonly known as the Lemon Law. Section 681.104, F.S., provides that if a manufacturer cannot conform the motor vehicle to the warranty by repairing or correcting any nonconformity after a reasonable number of attempts, the manufacturer, within 40 days, must repurchase the motor vehicle and refund the full purchase price to the consumer, less a reasonable offset for use. In the case of a leased motor vehicle, the lessee receives the lessee cost and the lessor receives the lease price less the lessee cost.

Section 681.102, F.S., defines "Lease price" as the aggregate of: lessor's actual purchase costs; collateral charges (those additional charges to a consumer wholly incurred as a result of the acquisition of the motor vehicle, including, but not limited to, manufacturer-installed or agent-installed items or service charges, earned finance charges, sales taxes, and title charges), if applicable; any fee paid to another to obtain the lease; any insurance or other costs expended by the lessor for the benefit of the lessee; an amount equal to state and local sales taxes, not otherwise included as collateral charges, paid by the lessor when the vehicle was initially purchased; and, an amount equal to 5 percent of the lessor's actual purchase cost

III. Effect of Proposed Changes:

Section 1 amends s. 521.004, F.S., to provide that if the lessor includes the itemized list of costs required by federal regulation in the lease agreement, certain state itemization does not have to be included.

Section 2 amends 681.102, F.S., to modify the definition of "lease price" to include capitalized cost, as defined in s. 521.003(2), F.S., and "earned rent charges through the date of repurchase," while removing from the definition "lessor's actual purchase costs" and "an amount equal to 5 percent of lessor's actual purchase costs."

IV. Constitutional Issues:

A. Municipality/County Mandates Restrictions:

None.

B. Public Records/Open Meetings Issues:

None.

C Trust Funds Restrictions:

None

V. Economic Impact and Fiscal Note:

A. Tax/Fee Issues:

None

B. Private Sector Impact:

As applicable under the Lemon Law, motor vehicle manufacturers will be required to reimburse leasing companies for "lease" and "earned rent" charges. The costs, if any, relating to the modification of cost definitions in s 681.102, F.S., are indeterminate

C Government Sector Impact:

None

VI. Technical Deficiencies:

None

VII. Related Issues:

None

VIII. Amendments:

None.

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House 3897: Relating to Motor Vehicle Lease/Sales Warranties

H 3897 GENERAL BILL/1ST ENG by Mackenzie; (CO-SPONSORS) King; Jones; Culp (Similar CS/CS/S 1366)

Motor Vehicle Lease/Sales Warranties; modifies disclosure form for motor vehicle lease; modifies definitions applicable to motor vehicle sales warranties. Amends 521.004, 681.102. EFFECTIVE DATE: Contingent.
 03/03/98 HOUSE Filed; Introduced -HJ 00064
 03/13/98 HOUSE Referred to Business Regulation & Consumer Affairs (EIC) -HJ 00238
 03/19/98 HOUSE On Committee agenda-- Business Regulation & Consumer Affairs (EIC), 03/25/98, 8:00 am, Reed Hall
 03/25/98 HOUSE Comm. Action:-Unanimously Favorable with 1 amendment(s) by Business Regulation & Consumer Affairs (EIC) -HJ 00386
 03/26/98 HOUSE Pending Consent Calendar -HJ 00386
 03/31/98 HOUSE Available for Consent Calendar
 04/16/98 HOUSE Placed on Consent Calendar; Read second time -HJ 00643; Amendment(s) adopted -HJ 00643; Read third time -HJ 00643; Passed as amended; YEAS 117 NAYS 0 -HJ 00643; Immediately certified -HJ 00677
 04/16/98 SENATE In Messages
 04/21/98 SENATE Received, referred to Commerce and Economic Opportunities; Transportation -SJ 00754
 05/01/98 SENATE Died in Committee on Commerce and Economic Opportunities, Iden./Sim./Compare Bill(s) passed, refer to CS/CS/SB 1366 (Ch. 98-128)

Bill Text: (Top)

Bill Name	Date Posted	Available Formats
H 3897	08/28/2000	Web Page PDF
H 3897E1	08/28/2000	Web Page PDF

Amendments: (Top)

H 3897:

Amendment ID	Date Posted	Available Formats
350331	04/16/1998	Web Page PDF

H 3897E1:

Amendment ID	Date Posted	Available Formats
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Bill Analysis: (Top)

By Representatives Mackenzie, King and Jones

1 A bill to be entitled
2 An act relating to motor vehicles; amending s.
3 521.004, F.S.; modifying the disclosure form
4 for a motor vehicle lease; amending s. 681.102,
5 F.S.; modifying definitions applicable to motor
6 vehicle sales warranties; providing an
7 effective date.
8
9 Be It Enacted by the Legislature of the State of Florida:
10
11 Section 1. Section 521.004, Florida Statutes, is
12 amended to read:
13 521.004 Disclosures.--A retail lessor must:
14 (1) Disclose to the retail lessee in the lease
15 agreement in a separate blocked section, in capital letters of
16 at least 12-point bold type, with the appropriate amounts
17 specified, as follows:
18
19 THIS IS A LEASE AGREEMENT.
20 THIS IS NOT A PURCHASE AGREEMENT.
21
22 PLEASE REVIEW THESE MATTERS CAREFULLY AND SEEK INDEPENDENT
23 PROFESSIONAL ADVICE IF YOU HAVE ANY QUESTIONS CONCERNING THIS
24 TRANSACTION. YOU ARE ENTITLED TO AN EXACT COPY OF THE
25 AGREEMENT YOU SIGN.
26 CAPITALIZED COST \$.....
27 (Your total cost of goods, services, & fees.)
28
29 CAPITALIZED COST REDUCTION \$.....
30 (Your total credits.)
31

1 ADJUSTED OR NET CAPITALIZED COST \$.....
2 (Your net cost of goods, services, & fees.)
3
4 For purposes of this subsection, that portion of the
5 disclosure stating the terms "capitalized cost," "capitalized
6 cost reduction," and "adjusted or net capitalized cost," and
7 the explanations contained in the parentheticals, as well as
8 their respective amounts, are not required to be disclosed if
9 the terms "gross capitalized cost," "capitalized cost
10 reduction," and "adjusted capitalized cost" and the
11 descriptions and disclosures set forth and required by the
12 Federal Consumer Leasing Act, 15 USC s. 1501 et seq., and
13 Federal Reserve Board Regulation M. 12 CFR s. 213, are set
14 forth elsewhere in the lease agreement.
15 (2) Provide the retail lessee with a copy of each
16 document signed by the retail lessee during the course of the
17 lease transaction.
18 Section 2. Subsections (3), (9), and (12) of section
19 681.102, Florida Statutes, are amended to read:
20 681.102 Definitions.--As used in this chapter, the
21 term:
22 (3) "Collateral charges" means those additional
23 charges to a consumer wholly incurred as a result of the
24 acquisition of the motor vehicle. For the purposes of this
25 chapter, collateral charges include, but are not limited to,
26 manufacturer-installed or agent-installed items or service
27 charges, earned finance or lease charges, sales taxes, and
28 title charges.
29 (9) "Lease price" means the aggregate of the
30 capitalized cost, as defined in s. 521.003(2), and each of the
31

1 following items to the extent not included in the capitalized
2 cost:
3 ~~(a) Lessor's actual purchase costs.~~
4 (a) ~~(b)~~ Collateral charges, if applicable.
5 (b) ~~(c)~~ Any fee paid to another to obtain the lease.
6 (c) ~~(d)~~ Any insurance or other costs expended by the
7 lessor for the benefit of the lessee.
8 (d) ~~(e)~~ An amount equal to state and local sales taxes,
9 not otherwise included as collateral charges, paid by the
10 lessor when the vehicle was initially purchased.
11 ~~(f) An amount equal to 5 percent of (a).~~
12 (12) "Lessee cost" means the aggregate of the security
13 deposit, capitalized cost-reduction as defined in s.
14 521.003 (3), and rental payments previously paid to the lessor
15 for the leased vehicle but excludes debt from any other
16 transaction.
17 Section 3. This act shall take effect July 1 of the
18 year in which enacted.

19
20 *****

21 LEGISLATIVE SUMMARY

22
23 Modifies the disclosure form for motor vehicle leases.
24 Provides that specified terms in the form need not be
25 included if the terms in the Federal Consumer Leasing Act
26 are provided. Amends the definitions of "collateral
27 charges," "lease price," and "lessee cost" for purposes
28 of ch. 681, F.S., relating to motor vehicle sales
29 warranties.
30
31

STORAGE NAME. h3897.brc
DATE: March 21, 1998

**HOUSE OF REPRESENTATIVES
COMMITTEE ON
BUSINESS REGULATION AND CONSUMER AFFAIRS
BILL RESEARCH & ECONOMIC IMPACT STATEMENT**

BILL #. HB 3897
RELATING TO. Motor Vehicle Lease Warranties
SPONSOR(S): Representative Mackenzie and others
COMPANION BILL(S): SB 1366 (s)

ORIGINATING COMMITTEE(S)/COMMITTEE(S) OF REFERENCE.
(1) BUSINESS REGULATION AND CONSUMER AFFAIRS
(2)
(3)
(4)
(5)

I. SUMMARY:

This bill corrects two problems with the laws relating to vehicle leases. First, it removes an existing conflict between state law and federal regulation relating to vehicle lease disclosures. Second, it clarifies that manufacturers of leased "lemon" vehicles are required to reimburse finance charges to leasing companies. The act takes effect July 1 of the year in which enacted

There is no fiscal impact to government. However, automobile manufacturers of "lemon" vehicles will have to reimburse the finance charges to leasing companies.

STORAGE NAME. h3897.brc

DATE: March 21, 1998

PAGE 2

II. SUBSTANTIVE RESEARCH:

A PRESENT SITUATION:

Two problems exist with the laws regulating vehicle leases. First, the federal government passed a leased vehicle disclosure law that went into effect January 1, 1998, creating a conflict with state law. Second, the state Lemon Law inadvertently omits leasing companies' finance charges from the costs manufacturers are required to reimburse on leased "lemon" vehicles.

The Legislature enacted the Motor Vehicle Lease Disclosure Act in 1995, ch. 521, Florida Statutes, to ensure lessees are adequately apprised of the total cost of the vehicle lease. The law provides terms and definitions for the various costs that must be disclosed. It requires those costs, along with a disclosure statement, to be in at least 12-point bold type and set apart in a box.

The federal Consumer Leasing, 12 CFR 213, disclosure requirements took effect January 1, 1998. These federal regulations also require disclosure to vehicle lessees of the various costs of the lease. However, the federal regulations use different terms for the same costs included in Florida's law. Therefore, if the state law is not changed, leasing companies must continue to include two cost itemizations on their lease contracts for the same information. Providing two such lists lengthens the contract and is confusing to consumers.

The statutory formula in Florida's Lemon Law, ch. 681, F.S., for computing refunds by manufacturers to consumers and leasing companies does not include the finance charges owed to leasing companies when a car is determined to be a lemon that the manufacturer must repurchase. Leasing companies are not included in the arbitration process, therefore, lengthy disputes have occurred between manufacturers and leasing companies trying to obtain reimbursement for their finance charges. Manufacturers are required to pay these charges to automobile dealers for "lemon" vehicles that were purchased. When manufacturers refuse to reimburse a leasing company's finance charges, the company could go against the lessee for reimbursement.

B. EFFECT OF PROPOSED CHANGES:

This bill amends the Motor Vehicle Lease Disclosure Act to say that if the lessor includes the itemized list of costs required by federal regulation, the state itemization does not have to be included. However, the lessor must continue to include the state disclosure statement in at least 12-point bold type in a separate box.

The "Lemon Law" is also amended to require manufacturers to reimburse finance charges to leasing companies on cars determined to be lemons and repurchased by manufacturers. This change is consistent with the requirements on manufacturers of purchased "lemons". The bill also makes changes to the "Lemon Law" to conform it to the federal Consumer Leasing regulations.

C. APPLICATION OF PRINCIPLES:

1. Less Government:

a. Does the bill create, increase or reduce, either directly or indirectly.

(1) any authority to make rules or adjudicate disputes?

No.

(2) any new responsibilities, obligations or work for other governmental or private organizations or individuals?

No.

(3) any entitlement to a government service or benefit?

No.

b. If an agency or program is eliminated or reduced:

(1) what responsibilities, costs and powers are passed on to another program, agency, level of government, or private entity?

N/A

(2) what is the cost of such responsibility at the new level/agency?

N/A

(3) how is the new agency accountable to the people governed?

N/A

2. Lower Taxes

a. Does the bill increase anyone's taxes?

No.

b. Does the bill require or authorize an increase in any fees?

No

c. Does the bill reduce total taxes, both rates and revenues?

No.

d. Does the bill reduce total fees, both rates and revenues?

No.

e. Does the bill authorize any fee or tax increase by any local government?

No.

3. Personal Responsibility:

a. Does the bill reduce or eliminate an entitlement to government services or subsidy?

No.

b. Do the beneficiaries of the legislation directly pay any portion of the cost of implementation and operation?

N/A

4. Individual Freedom:

a. Does the bill increase the allowable options of individuals or private organizations/associations to conduct their own affairs?

No. However, leasing companies are relieved of printing redundant language on their leased vehicle contracts.

b. Does the bill prohibit, or create new government interference with, any presently lawful activity?

No.

5. Family Empowerment:

a. If the bill purports to provide services to families or children:

(1) Who evaluates the family's needs?

N/A

(2) Who makes the decisions?

N/A

(3) Are private alternatives permitted?

N/A

(4) Are families required to participate in a program?

N/A

(5) Are families penalized for not participating in a program?

N/A

b Does the bill directly affect the legal rights and obligations between family members?

N/A

c. If the bill creates or changes a program providing services to families or children, in which of the following does the bill vest control of the program, either through direct participation or appointment authority.

N/A

(1) parents and guardians?

N/A

(2) service providers?

N/A

(3) government employees/agencies?

N/A

D. STATUTE(S) AFFECTED:

Sections 521.004 and 681.102, Florida Statutes.

E. SECTION-BY-SECTION RESEARCH:

Section 1. Amends s. 521.004, F.S., to conform state law to federal regulations

Section 2. Amends ss 681.102 (3), (9), and (12), F.S., to clarify that manufacturers are required to reimburse finance charges to leasing companies when leased "lemon" vehicles are repurchased, and to conform language to federal regulation.

Section 3. Provides that the act shall take effect July 1 of the year in which enacted.

III. FISCAL RESEARCH & ECONOMIC IMPACT STATEMENT:

A. FISCAL IMPACT ON STATE AGENCIES/STATE FUNDS:

1. Non-recurring Effects:

None.

2. Recurring Effects:

None.

3. Long Run Effects Other Than Normal Growth:

None.

4. Total Revenues and Expenditures.

N/A

B FISCAL IMPACT ON LOCAL GOVERNMENTS AS A WHOLE:

1. Non-recurring Effects:

None.

2. Recurring Effects:

None.

3. Long Run Effects Other Than Normal Growth:

None.

C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

1. Direct Private Sector Costs:

Motor vehicle manufacturers are required to reimburse leasing companies for finance charges incurred prior to the manufacturer repurchasing a leased "lemon" vehicle.

2. Direct Private Sector Benefits.

Leasing companies are relieved of printing redundant language on leased vehicle contracts and consumers are provided with clarity in those documents

3. Effects on Competition, Private Enterprise and Employment Markets

None.

D FISCAL COMMENTS:

None.

IV. CONSEQUENCES OF ARTICLE VII, SECTION 18 OF THE FLORIDA CONSTITUTION.

A. APPLICABILITY OF THE MANDATES PROVISION

This act does not require counties or municipalities to spend funds or to take an action requiring the expenditure of funds.

B REDUCTION OF REVENUE RAISING AUTHORITY

This act does not reduce the authority that counties or municipalities have to raise revenue in the aggregate.

C REDUCTION OF STATE TAX SHARED WITH COUNTIES AND MUNICIPALITIES:

This act does not reduce the percentage of a state tax shared with counties or municipalities.

V. COMMENTS

None

VI AMENDMENTS OR COMMITTEE SUBSTITUTE CHANGES:

None.

VII. SIGNATURES:

COMMITTEE ON BUSINESS REGULATION AND CONSUMER AFFAIRS:
Prepared by: Legislative Research Director

Rebecca R Everhart

Lucretia Shaw Collins

STORAGE NAME: h3897a.brc
DATE: March 25, 1998

**HOUSE OF REPRESENTATIVES
COMMITTEE ON
BUSINESS REGULATION AND CONSUMER AFFAIRS
BILL RESEARCH & ECONOMIC IMPACT STATEMENT**

BILL # HB 3897
RELATING TO: Motor Vehicle Lease Warranties
SPONSOR(S): Representative Mackenzie and others
COMPANION BILL(S): SB 1366 (s)

ORIGINATING COMMITTEE(S)/COMMITTEE(S) OF REFERENCE:

- (1) BUSINESS REGULATION AND CONSUMER AFFAIRS YEAS 7 NAYS 0
 - (2)
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-

I. SUMMARY:

This bill corrects two problems with the laws relating to vehicle leases. First, it removes an existing conflict between state law and federal regulation relating to vehicle lease disclosures. Second, it clarifies that manufacturers of leased "lemon" vehicles are required to reimburse finance charges to leasing companies. The act takes effect July 1 of the year in which enacted.

There is no fiscal impact to government. However, automobile manufacturers of "lemon" vehicles will have to reimburse the finance charges to leasing companies.

There is an amendment by the Committee on Business Regulation and Consumer Affairs traveling with the bill. It removes unnecessary changes to the law and clarifies the law to ensure leasing companies are reimbursed for their finance charges by the manufacturers of "lemon" vehicles.

STORAGE NAME: h3897a.brc

DATE: March 25, 1998

PAGE 2

II SUBSTANTIVE RESEARCH

A. PRESENT SITUATION:

Two problems exist with the laws regulating vehicle leases. First, the federal government passed a leased vehicle disclosure law that went into effect January 1, 1998, creating a conflict with state law. Second, the state Lemon Law inadvertently omits leasing companies' finance charges from the costs manufacturers are required to reimburse on leased "lemon" vehicles.

The Legislature enacted the Motor Vehicle Lease Disclosure Act in 1995, ch 521, Florida Statutes, to ensure lessees are adequately apprised of the total cost of the vehicle lease. The law provides terms and definitions for the various costs that must be disclosed. It requires those costs, along with a disclosure statement, to be in at least 12-point bold type and set apart in a box.

The federal Consumer Leasing, 12 CFR 213, disclosure requirements took effect January 1, 1998. These federal regulations also require disclosure to vehicle lessees of the various costs of the lease. However, the federal regulations use different terms for the same costs included in Florida's law. Therefore, if the state law is not changed, leasing companies must continue to include two cost itemizations on their lease contracts for the same information. Providing two such lists lengthens the contract and is confusing to consumers.

The statutory formula in Florida's Lemon Law, ch 681, F.S., for computing refunds by manufacturers to consumers and leasing companies does not include the finance charges owed to leasing companies when a car is determined to be a lemon that the manufacturer must repurchase. Leasing companies are not included in the arbitration process, therefore, lengthy disputes have occurred between manufacturers and leasing companies trying to obtain reimbursement for their finance charges. Manufacturers are required to pay these charges to automobile dealers for "lemon" vehicles that were purchased. When manufacturers refuse to reimburse a leasing company's finance charges, the company could go against the lessee for reimbursement.

B. EFFECT OF PROPOSED CHANGES:

This bill amends the Motor Vehicle Lease Disclosure Act to say that if the lessor includes the itemized list of costs required by federal regulation, the state itemization does not have to be included. However, the lessor must continue to include the state disclosure statement in at least 12-point bold type in a separate box.

The "Lemon Law" is also amended to require manufacturers to reimburse finance charges to leasing companies on cars determined to be lemons and repurchased by manufacturers. This change is consistent with the requirements on manufacturers of purchased "lemons". The bill also makes changes to the "Lemon Law" to conform it to the federal Consumer Leasing regulations.

C APPLICATION OF PRINCIPLES:

1. Less Government:

a. Does the bill create, increase or reduce, either directly or indirectly:

(1) any authority to make rules or adjudicate disputes?

No.

(2) any new responsibilities, obligations or work for other governmental or private organizations or individuals?

No.

(3) any entitlement to a government service or benefit?

No.

b. If an agency or program is eliminated or reduced:

(1) what responsibilities, costs and powers are passed on to another program, agency, level of government, or private entity?

N/A

(2) what is the cost of such responsibility at the new level/agency?

N/A

(3) how is the new agency accountable to the people governed?

N/A

2. Lower Taxes:

a. Does the bill increase anyone's taxes?

No.

b. Does the bill require or authorize an increase in any fees?

No

c. Does the bill reduce total taxes, both rates and revenues?

No

d. Does the bill reduce total fees, both rates and revenues?

No.

e. Does the bill authorize any fee or tax increase by any local government?

No.

3. Personal Responsibility:

a. Does the bill reduce or eliminate an entitlement to government services or subsidy?

No.

b. Do the beneficiaries of the legislation directly pay any portion of the cost of implementation and operation?

N/A

4. Individual Freedom.

a. Does the bill increase the allowable options of individuals or private organizations/associations to conduct their own affairs?

No. However, leasing companies are relieved of printing redundant language on their leased vehicle contracts.

b. Does the bill prohibit, or create new government interference with, any presently lawful activity?

No.

5. Family Empowerment

a. If the bill purports to provide services to families or children:

(1) Who evaluates the family's needs?

N/A

(2) Who makes the decisions?

N/A

(3) Are private alternatives permitted?

N/A

(4) Are families required to participate in a program?

N/A

(5) Are families penalized for not participating in a program?

N/A

b. Does the bill directly affect the legal rights and obligations between family members?

N/A

c. If the bill creates or changes a program providing services to families or children, in which of the following does the bill vest control of the program, either through direct participation or appointment authority:

N/A

(1) parents and guardians?

N/A

(2) service providers?

N/A

(3) government employees/agencies?

N/A

D STATUTE(S) AFFECTED

Sections 521.004 and 681.102, Florida Statutes.

E. SECTION-BY-SECTION RESEARCH

Section 1 Amends s. 521.004, F.S., to conform state law to federal regulations.

Section 2 Amends ss. 681.102 (3), (9), and (12), F.S., to clarify that manufacturers are required to reimburse finance charges to leasing companies when leased "lemon" vehicles are repurchased, and to conform language to federal regulation.

Section 3. Provides that the act shall take effect July 1 of the year in which enacted.

III FISCAL RESEARCH & ECONOMIC IMPACT STATEMENT:

A. FISCAL IMPACT ON STATE AGENCIES/STATE FUNDS:

1 Non-recurring Effects:

None.

2. Recurring Effects:

None.

3. Long Run Effects Other Than Normal Growth:

None.

4. Total Revenues and Expenditures

N/A

B FISCAL IMPACT ON LOCAL GOVERNMENTS AS A WHOLE:

1 Non-recurring Effects:

None

2. Recurring Effects:

None

3. Long Run Effects Other Than Normal Growth.

None.

C DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

1. Direct Private Sector Costs:

Motor vehicle manufacturers are required to reimburse leasing companies for finance charges incurred prior to the manufacturer repurchasing a leased "lemon" vehicle

2. Direct Private Sector Benefits:

Leasing companies are relieved of printing redundant language on leased vehicle contracts and consumers are provided with clarity in those documents

3 Effects on Competition, Private Enterprise and Employment Markets:

None.

D. FISCAL COMMENTS:

None.

IV. CONSEQUENCES OF ARTICLE VII, SECTION 18 OF THE FLORIDA CONSTITUTION:

A. APPLICABILITY OF THE MANDATES PROVISION:

This act does not require counties or municipalities to spend funds or to take an action requiring the expenditure of funds

B REDUCTION OF REVENUE RAISING AUTHORITY

This act does not reduce the authority that counties or municipalities have to raise revenue in the aggregate.

C. REDUCTION OF STATE TAX SHARED WITH COUNTIES AND MUNICIPALITIES:

This act does not reduce the percentage of a state tax shared with counties or municipalities.

V COMMENTS:

None

VI AMENDMENTS OR COMMITTEE SUBSTITUTE CHANGES:

The amendment by the Committee on Business Regulation and Consumer Affairs makes two changes to the bill by:

- Removing the changes to s. 681.102 (3) and (12), F.S., Lemon Law, that were included to conform state law to federal regulation. Representatives from the Department of Legal Affairs requested removal saying that these changes are not necessary and the law is working as intended.
- Clarifying the statutory formula in the Lemon Law to ensure that leasing companies are reimbursed for their finance charges by the manufacturers of the "lemon" vehicles

STORAGE NAME: h3897a.brc
DATE. March 25, 1998
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VII. SIGNATURES:

COMMITTEE ON BUSINESS REGULATION AND CONSUMER AFFAIRS:
Prepared by: Legislative Research Director

Rebecca R Everhart

Lucretia Shaw Collins

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A bill to be entitled
An act relating to motor vehicles; amending s.
521.004, F.S.; modifying the disclosure form
for a motor vehicle lease; amending s. 681.102,
F.S.; modifying definition applicable to motor
vehicle sales warranties; providing an
effective date.

Be It Enacted by the Legislature of the State of Florida:

Section 1. Section 521.004, Florida Statutes, is
amended to read:

521.004 Disclosures.--A retail lessor must:

(1) Disclose to the retail lessee in the lease
agreement in a separate blocked section, in capital letters of
at least 12-point bold type, with the appropriate amounts
specified, as follows:

THIS IS A LEASE AGREEMENT.
THIS IS NOT A PURCHASE AGREEMENT.

PLEASE REVIEW THESE MATTERS CAREFULLY AND SEEK INDEPENDENT
PROFESSIONAL ADVICE IF YOU HAVE ANY QUESTIONS CONCERNING THIS
TRANSACTION. YOU ARE ENTITLED TO AN EXACT COPY OF THE
AGREEMENT YOU SIGN.

CAPITALIZED COST \$.
(Your total cost of goods, services, & fees.)

CAPITALIZED COST REDUCTION \$.
(Your total credits.)

1 ADJUSTED OR NET CAPITALIZED COST \$.....

2 (Your net cost of goods, services, & fees.)

3

4 For purposes of this subsection, that portion of the
5 disclosure stating the terms "capitalized cost," "capitalized
6 cost reduction," and "adjusted or net capitalized cost," and
7 the explanations contained in the parentheticals, as well as
8 their respective amounts, are not required to be disclosed if
9 the terms "gross capitalized cost," "capitalized cost
10 reduction," and "adjusted capitalized cost" and the
11 descriptions and disclosures set forth and required by the
12 Federal Consumer Leasing Act, 15 USC s. 1501 et seq., and
13 Federal Reserve Board Regulation M. 12 CFR s. 213, are set
14 forth elsewhere in the lease agreement.

15 (2) Provide the retail lessee with a copy of each
16 document signed by the retail lessee during the course of the
17 lease transaction.

18 Section 2. Subsection (9) of section 681.102, Florida
19 Statutes, is amended to read:

20 681.102 Definitions.--As used in this chapter, the
21 term:

22 (9) "Lease price" means the aggregate of the
23 capitalized cost, as defined in s. 521.003(2), and each of the
24 following items to the extent not included in the capitalized
25 cost:

26 (a) Lessor's earned rent charges through the date of
27 repurchase ~~actual purchase costs~~.

28 (b) Collateral charges, if applicable.

29 (c) Any fee paid to another to obtain the lease.

30 (d) Any insurance or other costs expended by the
31 lessor for the benefit of the lessee.

1 (e) An amount equal to state and local sales taxes,
2 not otherwise included as collateral charges, paid by the
3 lessor when the vehicle was initially purchased.

4 ~~(f) An amount equal to 5 percent of (a).~~

5 Section 3. This act shall take effect July 1 of the
6 year in which enacted.

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STORAGE NAME: h3897z brc
DATE: June 2, 1998

****FINAL ACTION****
****SEE FINAL ACTION STATUS SECTION****

**HOUSE OF REPRESENTATIVES
COMMITTEE ON
BUSINESS REGULATION AND CONSUMER AFFAIRS
FINAL BILL RESEARCH & ECONOMIC IMPACT STATEMENT**

BILL #: 1ST ENG/HB 3897
RELATING TO: Motor Vehicle Lease Warranties
SPONSOR(S): Representative Mackenzie and others
COMPANION BILL(S): CS/CS/SB 1366 (s)

ORIGINATING COMMITTEE(S)/COMMITTEE(S) OF REFERENCE:

- (1) BUSINESS REGULATION AND CONSUMER AFFAIRS YEAS 7 NAYS 0
- (2) SENATE COMMERCE AND ECONOMIC OPPORTUNITIES
- (3) SENATE TRANSPORTATION

I. FINAL ACTION STATUS:

Passed as CS/CS/SB 1366 (Chapter 98-128, Laws of Florida). See the final Bill Research and Economic Impact Statement by the House Committee on Business Regulation and Consumer Affairs for CS/CS/SB 1366 for the contents of the act.

After adopting the amendment by the Committee on Business Regulation and Consumer Affairs, the House passed HB 3897 by a vote of 117 yeas and 0 nays on April 16, 1998. The Senate referred 1ST ENG/HB 3897 to the Senate Committees on Commerce and Economic Opportunities (where it died) and Transportation.

II SUMMARY:

This bill corrects two problems with the laws relating to vehicle leases. First, it removes an existing conflict between state law and federal regulation relating to vehicle lease disclosures. Second, it clarifies that manufacturers of leased "lemon" vehicles are required to reimburse finance charges to leasing companies. The act takes effect July 1 of the year in which enacted

There is no fiscal impact to government. However, automobile manufacturers of "lemon" vehicles will have to reimburse the finance charges owed to leasing companies.

The amendment by the Committee on Business Regulation and Consumer Affairs removes unnecessary changes to the law and clarifies the statutory formula in the Lemon Law to ensure that manufacturers of "lemon" vehicles reimburse finance charges owed to the leasing companies

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III. SUBSTANTIVE RESEARCH:

A PRESENT SITUATION:

Two problems exist with the laws regulating vehicle leases. First, the federal government passed a leased vehicle disclosure law that went into effect January 1, 1998, creating a conflict with state law. Second, the state Lemon Law inadvertently omits leasing companies' finance charges from the costs manufacturers are required to reimburse on leased "lemon" vehicles.

The Legislature enacted the Motor Vehicle Lease Disclosure Act in 1995, ch 521, Florida Statutes, to ensure lessees are adequately apprised of the total cost of the vehicle lease. The law provides terms and definitions for the various costs that must be disclosed. It requires those costs, along with a disclosure statement, to be in at least 12-point bold type and set apart in a box.

The federal Consumer Leasing, 12 CFR 213, disclosure requirements took effect January 1, 1998. These federal regulations also require disclosure to vehicle lessees of the various costs of the lease. However, the federal regulations use different terms for the same costs included in Florida's law. Therefore, if the state law is not changed, leasing companies must continue to include two cost itemizations on their lease contracts for the same information. Providing two such lists lengthens the contract and is confusing to consumers.

The statutory formula in Florida's Lemon Law, ch. 681, F.S., for computing refunds by manufacturers to consumers and leasing companies does not include the finance charges owed to leasing companies when a car is determined to be a lemon that the manufacturer must repurchase. Leasing companies are not included in the arbitration process, therefore, lengthy disputes have occurred when leasing companies have tried to obtain reimbursement of their finance charges from the manufacturer of the "lemon" vehicle. Manufacturers are required to pay these charges to automobile dealers for "lemon" vehicles that the manufacturer had to repurchase. When manufacturers refuse to reimburse a leasing company's finance charges, the company can file suit against the lessee for reimbursement.

B. EFFECT OF PROPOSED CHANGES:

This bill amends the Motor Vehicle Lease Disclosure Act to say that if the lessor includes the itemized list of costs required by federal regulation, the state itemization does not have to be included. However, the lessor must continue to include the state disclosure statement in at least 12-point bold type in a separate box.

The "Lemon Law" is also amended to require manufacturers to reimburse finance charges owed to leasing companies on cars determined to be lemons and repurchased by manufacturers. This change is consistent with the requirements on manufacturers of purchased "lemons".

C APPLICATION OF PRINCIPLES:

1. Less Government:

a. Does the bill create, increase or reduce, either directly or indirectly:

(1) any authority to make rules or adjudicate disputes?

No.

(2) any new responsibilities, obligations or work for other governmental or private organizations or individuals?

No.

(3) any entitlement to a government service or benefit?

No.

b. If an agency or program is eliminated or reduced:

(1) what responsibilities, costs and powers are passed on to another program, agency, level of government, or private entity?

N/A

(2) what is the cost of such responsibility at the new level/agency?

N/A

(3) how is the new agency accountable to the people governed?

N/A

2. Lower Taxes:

a Does the bill increase anyone's taxes?

No

b Does the bill require or authorize an increase in any fees?

No.

c. Does the bill reduce total taxes, both rates and revenues?

No.

d. Does the bill reduce total fees, both rates and revenues?

No.

e. Does the bill authorize any fee or tax increase by any local government?

No

3 Personal Responsibility:

a. Does the bill reduce or eliminate an entitlement to government services or subsidy?

No.

b. Do the beneficiaries of the legislation directly pay any portion of the cost of implementation and operation?

N/A

4. Individual Freedom:

a. Does the bill increase the allowable options of individuals or private organizations/associations to conduct their own affairs?

No. However, leasing companies are relieved of printing redundant language on their leased vehicle contracts

b. Does the bill prohibit, or create new government interference with, any presently lawful activity?

No.

5 Family Empowerment:

a If the bill purports to provide services to families or children:

(1) Who evaluates the family's needs?

N/A

(2) Who makes the decisions?

N/A

(3) Are private alternatives permitted?

N/A

(4) Are families required to participate in a program?

N/A

(5) Are families penalized for not participating in a program?

N/A

b. Does the bill directly affect the legal rights and obligations between family members?

N/A

c. If the bill creates or changes a program providing services to families or children, in which of the following does the bill vest control of the program, either through direct participation or appointment authority:

N/A

(1) parents and guardians?

N/A

(2) service providers?

N/A

(3) government employees/agencies?

N/A

D STATUTE(S) AFFECTED:

Sections 521.004 and 681.102, Florida Statutes.

E SECTION-BY-SECTION RESEARCH.

Section 1. Amends s 521.004, F S , to conform state law to federal regulations.

Section 2. Amends s. 681.102(9), F.S , to clarify that manufacturers are required to reimburse finance charges owed to leasing companies when leased "lemon" vehicles are repurchased by the manufacturer.

Section 3. Provides that the act shall take effect July 1 of the year in which enacted

IV FISCAL RESEARCH & ECONOMIC IMPACT STATEMENT:

A FISCAL IMPACT ON STATE AGENCIES/STATE FUNDS:

1. Non-recurring Effects:

None.

2. Recurring Effects:

None.

3 Long Run Effects Other Than Normal Growth:

None.

4. Total Revenues and Expenditures:

N/A

B. FISCAL IMPACT ON LOCAL GOVERNMENTS AS A WHOLE:

1. Non-recurring Effects:

None.

2. Recurring Effects:

None.

3. Long Run Effects Other Than Normal Growth:

None.

C DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

1. Direct Private Sector Costs.

Motor vehicle manufacturers are required to reimburse leasing companies for finance charges incurred prior to the manufacturer repurchasing a leased "lemon" vehicle.

2. Direct Private Sector Benefits:

Leasing companies are relieved of printing redundant language on leased vehicle contracts and consumers are provided with clarity in those documents.

3. Effects on Competition, Private Enterprise and Employment Markets:

None.

D. FISCAL COMMENTS:

None.

V. CONSEQUENCES OF ARTICLE VII, SECTION 18 OF THE FLORIDA CONSTITUTION:

A. APPLICABILITY OF THE MANDATES PROVISION:

This act does not require counties or municipalities to spend funds or to take an action requiring the expenditure of funds.

B. REDUCTION OF REVENUE RAISING AUTHORITY:

This act does not reduce the authority that counties or municipalities have to raise revenue in the aggregate.

C. REDUCTION OF STATE TAX SHARED WITH COUNTIES AND MUNICIPALITIES:

This act does not reduce the percentage of a state tax shared with counties or municipalities.

VI. COMMENTS:

None.

VII. AMENDMENTS OR COMMITTEE SUBSTITUTE CHANGES:

The amendment by the Committee on Business Regulation and Consumer Affairs makes two changes to the bill by:

- Removing the changes to s. 681.102(3) and (12), F.S., Lemon Law, that were included to conform terminology in state law to the terminology used in federal regulation. Representatives from the Department of Legal Affairs asked that these changes not be made. They contend that the state law is working as intended and these changes could cause confusion.
- Clarifying the statutory formula in the Lemon Law to ensure that manufacturers of "lemon" vehicles reimburse finance charges owed to the leasing companies.

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VIII. SIGNATURES:

COMMITTEE ON BUSINESS REGULATION AND CONSUMER AFFAIRS:
Prepared by. Legislative Research Director:

Rebecca R. Everhart Lucretia Shaw Collins

FINAL RESEARCH PREPARED BY COMMITTEE ON BUSINESS REGULATION AND CONSUMER AFFAIRS:
Prepared by. Legislative Research Director.

Rebecca R. Everhart Lucretia Shaw Collins